

Message Text

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TO AMEMBASSY BUENOS AIRES

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TAGS: ETRD, EINV, AR

SUBJECT: ARGENTINE ELIGIBILITY FOR GENERALIZED
PREFERENCES UNDER SECTIONS 502(B)(4) AND (6) OF TRADE ACT
OF 1974

REF: STATE 66492

1. POST IS FULLY AWARE OF STATE OF PLAY ON DIFFERENT CASES
BEARING ON ARGENTINE ELIGIBILITY FOR GSP UNDER NATION-
ALIZATION AND ARBITRATION PROVISIONS OF TRADE ACT. NONE-
THELESS, FOR YOUR INTEREST AND POSSIBLE USE IN RESPONDING
TO INQUIRIES, WE ARE TRANSMITTING FOLLOWING BRIEF RATIONALE
FOR THE DETERMINATION AS IT APPLIES TO ARGENTINA.

A. BANKS: IN LATE 1973, THE PERONIST GOVERNMENT INITIATED
NATIONALIZATION OF SEVERAL DOMESTIC BANKS THAT HAD BEEN
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TAKEN OVER BY FOREIGN INVESTORS SINCE 1966, INCLUDING THREE

THAT WERE AMERICAN OWNED. THUS FAR, TWO OF THESE THREE, MORGAN GUARANTEE TRUST AND FIRST CITY NATIONAL, APPEAR TO HAVE REACHED A SATISFACTORY ACCOMMODATION WITH THE GOA. THE THIRD, CHASE MANHATTAN, HAS NOT YET COME TO TERMS,

AND THE BANK'S ARGENTINE HOLDINGS ARE NOW BEING MANAGED BY THE GOA. DISCUSSIONS BETWEEN CHASE AND THE GOA ARE CONTINUING, AND CHASE IS ALSO CONSIDERING VARIOUS LEGAL REMEDIES AVAILABLE TO IT IN ARGENTINA.

B. ITT: ON OCTOBER 17, 1974, THE GOA ANNOUNCED THE "ARGENTINIZATION" OF STANDARD ELECTRIC, AN ITT SUBSIDIARY. A SUBSEQUENT DECREE PROVIDES FOR THE ESTABLISHMENT OF A COMMISSION WHICH IS TO RECOMMEND PROCEDURES FOR THE TAKE-OVER. AS OF NOW, THE COMPANY IS STILL IN OPERATION AND NEGOTIATIONS ARE IN PROGRESS.

C. EXXON AND CITIES SERVICE: IN SEPTEMBER, 1974, THE GOA DECREED THE "ARGENTINIZATION" OF THE MARKETING AND DISTRIBUTION FACILITIES OF PETROLEUM. THE TWO AMERICAN COMPANIES INVOLVED, EXXON AND CITIES SERVICE, ARE STILL OPERATING IN ARGENTINA, AND ARE NEGOTIATING WITH THE GOVERNMENT. EXXON IS ALSO PURSUING VARIOUS ADMINISTRATIVE AND LEGAL REMEDIES AVAILABLE TO IT.

D. DELTEC: IN LATE 1973, AN ARGENTINE COURT HELD THAT THE AMERICAN CORPORATION DELTEC, AND ALL OF ITS SUBSIDIARIES OPERATING IN ARGENTINA, WERE FULLY LIABLE FOR THE DEBTS OF ONE OF THE SUBSIDIARIES, SWIFT DE LA PLATA, WHICH HAD BEEN DECLARED BANKRUPT. UNDER THIS RULING, ALL THE ASSETS OF DELTEC COULD BE SEIZED TO INSURE PAYMENT OF THE SWIFT DEBT. THERE HAS BEEN NO EXPROPRIATION AS YET, HOWEVER, AND THE MATTER IS STILL PROCEEDING THROUGH THE ARGENTINE COURT SYSTEM.

IN ALL KNOWN CASES OF EXPROPRIATION IN ARGENTINA, THE PRESIDENT HAS DETERMINED THAT ARGENTINA IS FULFILLING ITS OBLIGATIONS UNDER SECTION 502(B)(4) OF THE TRADE ACT OF 1974. KISSINGER

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